

Cash Basis Accounting – Direct Bill Posting Examples

The following are examples of how invoices post to the General Ledger for Direct Bill (DBI, CEI, CSI) transactions in AMS360. Direct Bill transactions can be posted through different Direct Bill Methods such as Customer Center, Direct Bill Entry or Direct Bill Statement. The examples that follow are for an **Agency that has elected the Cash Basis for the Accounting Basis** method in Agency Setup>Accounting options.

Each Example is related to the Facts that are presented immediately prior to the Example(s). Each transaction is considered an Activity and correspond the Activity number in the GL positing grid.

All positive amounts indicate debit postings to the GL number indicated in the column heading; all amounts in parentheses represent credit postings. GL numbers may vary depending on company classification (insurance/brokerage), premium type (P&C, Life, etc.) and customer type (customer/broker).

Facts

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Private Passenger Auto; 2) **Direct Bill – Customer Center**, 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. The agency manually creates a new Direct Bill Private Passenger Auto policy and creates an invoice for **\$1,000 premium, 10% agency commission with 50% of agency commission to the producer.**

Example #1: Direct Bill Invoice created with Customer Center as Bill Method

Accounting Events

Date	Activity	Accounting Transaction
03/01	#1	Policy effective 03/01, invoice is posted as Direct Bill with Customer Center as the How Bill Method in the amount of \$1,000.00 premium, 10% agency commission, 50% to the producer.
04/01	#2	Commission received from ABC Insurance Company for \$100; deposited to operating bank account with offset to Direct Bill Commission Income.
04/30	#3	Commission Payable Statement created for producer and the 50% or \$50 is paid.

General Ledger Postings

Balance Sheet Accounts				Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	Commissions Payable – Agency Business GL #21131 ¹	P & C DB Commission Income – Insurance Companies GL #40121 ²	DB Commission Expense – Agency Business GL #51210 ¹
03/01	#1		(50)		50
04/01	#2	100		(100)	
04/30	#3	(50)	50		

Note: In this example, no changes are made to the commission income at the time the Direct Bill Statement was processed and posted. Therefore, no general ledger postings result from the posting of the Direct Bill Statement. The only change to income will be if the commission was adjusted and posted through the Direct Bill Statement (see Example #2)

Example #2 – Commission Correction on Customer Center Invoiced items when changed in the Direct Bill Statement

Facts and Processing Assumptions

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Private Passenger Auto; 2) **Direct Bill – Customer Center**, 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. On 03/01, the agency manually creates a new Direct Bill Private Passenger Auto policy and creates an invoice for **\$1,013 premium, 12.5% agency commission with 50% of agency commission to the producer.**
- During processing of a **Direct Bill Statement** including this item, it was determined that the company statement shows the agency commission as \$126.62, and **AMS360** calculated the agency commission as \$126.63. The amount \$126.62 is entered as the Commission Recd in the Direct Bill Statement and the check box in the “Reconciled” column is checked. This will result in a JE **Adjustment** of \$.01 when posting of the Direct Bill Statement.

Accounting Events

Date	Activity	Accounting Transaction
03/01	#1	Policy effective 03/01, invoice is posted as Direct Bill with Customer Center as the How Bill Method in the amount of \$1,313.00 premium, 12.5% agency commission, 50% to the producer.
04/01	#2	Commission received from carrier and for \$126.62; deposited to bank account
04/15	#3	Direct Bill Statement is created and the amount of \$126.62 is entered, and the check box in the Reconciled column is checked, which results in a JE Adjustment of \$.01. Statement is posted. There will be no adjustments made to any General Ledger account.
04/30	#4	Commission Payable Statement created for producer and the 50% or \$63.32 is paid.

General Ledger Postings

Balance Sheet Accounts				Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	Commissions Payable – Agency Business GL #21131 ¹	P & C DB Commission Income – Insurance Companies GL #40121 ²	DB Commission Expense – Agency Business GL #51210 ¹
03/01	#1		(63.32)		63.32
04/01	#2	126.62		(126.62)	
04/15	#3				
04/30	#4	(63.32)	63.32		

Example #3 – Direct Bill Invoice created with Direct Bill Statement as Bill Method

Facts

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Umbrella (C) ; 2) **Direct Bill – Direct Bill Statement**; 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. On 03/01, the agency manually creates a new Direct Bill Commercial Umbrella policy and enters \$1,250.00 on the premium transaction line with Direct Bill Statement selected as the Bill Method.
- A Commission Statement is received from the carrier paying the agency \$125.00 (10% commission) for the policy.
- Agency producer/broker receives 50% of the agency commission.

Accounting Events

Date	Activity	Accounting Transaction
02/01	#1	Policy effective 03/01, Direct Bill policy is created and premium of \$1,250.00 is entered in the transaction premium line for Commercial Umbrella, with Direct Bill Statement as the How Billed method.
04/01	#2	Commission received from carrier for \$125.00 agency commission, deposited to bank account.
04/15	#3	Direct Bill Statement is created and the amount of \$125.00 is marked as Include in the statement and the full amount was received so the check box in the Reconciled column is checked. Producer is listed with 50% of agency commission. Statement is posted.
04/30	#4	Commission Payable Statement created for producer and the 50% or \$62.50 is paid.

General Ledger Postings

Balance Sheet Accounts				Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	Commissions Payable – Agency Business GL #21131 ¹	P & C DB Commission Income – Insurance Companies GL #40121 ²	DB Commission Expense – Agency Business GL #51210 ¹
03/01	#1				
04/01	#2	125		(125)	
04/15	#3		(50)		50
04/30	#4	(50)	50		



Example #4 – Direct Bill Invoice created with Direct Bill Entry as Bill Method

Facts

- **Company Setup > Billing Options** for carrier are set to: 1) Line of Business = Workers Compensation (C) ; 2) **Direct Bill – Direct Bill Entry**; 3) Bill Using Manually Entered Premiums is selected.
- Direct Bill policy, effective 02/15, is received from the carrier. On 03/01, the agency manually creates a new Direct Bill Workers Compensation policy and enters \$8,675.00 on the premium transaction line with Direct Bill Entry selected as the Bill Method.
- A Commission Statement is received from the carrier paying the agency \$530.50 (6% commission) for the policy.
- Agency producer/broker receives 50% of the agency commission.

Accounting Events

Date	Activity	Accounting Transaction
02/01	#1	Policy effective 03/01, Direct Bill policy is created and premium of \$8,675.00 is entered in the transaction premium line for Commercial Workers Compensation, with Direct Bill Entry as the How Billed method.
04/01	#2	Commission received from carrier for \$520.50 commission, deposited in the bank.
04/15	#3	Direct Bill Entry Statement is created and the amount of \$520.50. Producer is listed with 50% of agency commission. Statement is posted.
04/30	#4	Commission Payable Statement created for producer and the 50% or \$260.25 is paid.

General Ledger Postings

Balance Sheet Accounts				Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account GL #11130	Commissions Payable – Agency Business GL #21131 ¹	P & C DB Commission Income – Insurance Companies GL #40121 ²	DB Commission Expense – Agency Business GL #51210 ¹
03/01	#1				
04/01	#2	520.50		(520.50)	
04/15	#3		(260.25)		260.25
04/30	#4	(260.25)	260.25		

¹ Commission payable will post to General Ledger account #21131 and the Deferred Commission Expense will post to General Ledger Account #21133. If the policy is assigned to a Broker, and the agency has selected the “post Broker Payable and Expense amounts to the GL System Accounts” in the Agency Setup, the payable will post to General Ledger account #21135 and the Deferred Commission Expense will post to General Ledger account #21137. When the producer is paid, then the expense will post to General Ledger Account #51122.

² Commission Income for a Brokerage is posted to General Ledger account #40122 or other Direct Bill Commission income accounts per type of business (P&C, L&H, FS, or Other).